

Report To: **GMPF MANAGEMENT/ADVISORY PANEL**

Date: 8 March 2024

Reporting Officer: Sandra Stewart, Director of Pensions
Paddy Dowdall, Assistant Director of Pensions, (Local Investments and Property)

Subject: **GMPF BUDGET 2024/2025 AND MEDIUM-TERM FINANCIAL PLANNING**

Report Summary: This report asks the Management Panel to approve an expenditure budget for GMPF for 2024/25 and a medium-term financial plan 2024-2027. (An updated version will be included in the Annual report for 2023/24).

Recommendations:

- 1) That the Management Panel approves the expenditure budget for 2024/25.
- 2) That the Management Panel approve the Medium-Term Financial Plan.

**Financial Implications:
(Authorised by the Section 151 Officer)** The financial implications are set out in the report. There is a projected increase in expenditure which supports strategic change at the Fund to optimise net risk adjusted returns on investments and to provide efficient administration in order to ultimately minimise the contributions paid by employers.

**Legal Implications:
(Authorised by the Solicitor to the Fund)** There is a duty on the Fund to achieve best value and consequently the Panel need to ensure through such monitoring that value for money is being achieved.

Risk Management: Failure to properly manage and monitor the Fund's budgets may lead to a reduction in service standards for scheme members or employers, or a loss of confidence in the management of the fund.

ACCESS TO INFORMATION: **NON-CONFIDENTIAL**

This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Papers: Any enquiries should be directed to John Douglas, 0161 301 7128 (email: john.douglas@gmpf.org.uk)

1. INTRODUCTION

- 1.1 This report asks the Management Panel to approve an expenditure budget for GMPF for 2024/25 alongside a medium-term financial plan for 2024 to 2027.
- 1.2 The medium-term financial plan is essentially dependent upon the assumptions in the Funding Strategy Statement, and the out-turn is largely subject to financial markets and their impact on investment performance.
- 1.3 The medium-term financial plan 2024 to 2027 will be finalised for the annual report following, approval of budget and confirmation of fund vale at 31 March 2024.
- 1.4 CIPFA Guidance on preparing the Annual Report for Local Government Pension Scheme Funds requires GMPF to publish a medium-term financial plan approved by those charged with governance of the Fund. The Management Panel is approving the draft version of this subject to final confirmation in values as at 31 March 2024; and the assumptions and methodology that underpin it.

2. BUDGET FOR 2024/25 AND CHANGES FROM 2023/24

- 2.1 The Fund remains committed to its core objectives. The last 2 years have seen substantial changes to the way in which the Fund delivers its core objectives due to the changing requirements of the regulatory landscape and other external risks such as cyber security. There remains a great deal of uncertainty in the short to medium term in the outlook for inflation. The table below sets out the key assumptions and methodology for budget setting.

Pay Award 2024/25	Assuming at 5% in line with Tameside MBC educated estimate of outcome of NJC negotiations
Inflation	Notional 2.5% applied to non-staff costs
Staffing	As in post and recruitment in hand at Feb 2024
Goods and Services	As contracted plus internal estimates for variable usage items
Business development	Centrally allocated provision of £1m to implement business plan aspirations (includes £225,000 brought forward from previous years that has been committed but not expended

- 2.2 The level of budget sought for 2024/25 seeks an increase from that in 2023/24 The table below sets out some key movements. This budget covers the expenditure by the Fund on governance, administration and investment costs for oversight and internal management. External Investment Management fees are overseen by Management Panel in a more detailed fashion with comparison to peer Pension Funds provided by CEM.

Budget and Changes from 2023/24

Type	Budget 2024/25	Budget 2023/24	Variance £	Variance %
	£000	£000	£000	%
Staffing	10,051	9,337	714	8
Leadership & business development	1,134	949	185	19
Governance	388	349	39	11
Custody	502	497	5	1
Actuarial fees	355	355	0	-
Professional fees	2,255	2,327	(72)	-3
IT and equipment	1,613	1,395	218	15
Premises	1,234	1,136	98	9
Other general costs	709	685	24	4
Income	(897)	(988)	91	-9
Central establishment charges	778	596	182	31
Total pre-investment management fees	18,122	16,638	1,484	9

External Investment Management fees are overseen by Management Panel in a more detailed fashion with comparison to peer Pension Funds provided by CEM.

2.3 To put the budget for GMPF into context, the tables below set out some external comparisons for investments and administration against peer groups of comparable funds. These clearly show a favourable position which was recognised at the last meeting of Management Panel.

Investment Costs GMPF from CEM				
	2022/23		2021/22	
	£m	% AUM	£m	% AUM
GMPF Actual	111	0.40	92	0.39
Benchmark (CEM specific)	142	0.51	113	0.48
Difference	(31)	(0.11)	-21	(0.09)

Administration Costs GMPF from CEM		
	2022/23	2021/22
	£ per member	£ per member
GMPF Actual	17.91	17.01
Benchmark (CEM peer group)	24.62	23.65
Difference	(6.71)	-6.64

3. MEDIUM TERM FINANCIAL PLAN 2024-2027

3.1 The assumptions for medium term financial planning going forward are detailed in the table below.

Fund Investment Return	7.2% per annum over the long term
Inflation	CPI Bank of England
Pay Inflation	5% then 2.9%
Employer Payroll	From actuarial valuation
Pensioner Profile	From actuarial valuation
Management Budget	2023/24 projected forward
Investment Management Costs	2023/24 Internal estimate projection

3.2 The draft 3-year medium term plan is detailed below.

	2024/25	2025/26	2026/27
	£m	£m	£m
Fund Size at Start of Year	30,023	31,710	33,505
Fund Size at end of Year	31,710	33,505	35,417
Pensions Paid	1,121	1,153	1,187
Contributions received	786	815	846
Net Transfers	0	0	0
Net Cashflow	-335	-338	-341
Management Costs	140	150	160
Investment Income	826	886	950
Increase in Value of Investments	1,335	1,397	1,463
Net Return from Investments	2,162	2,283	2,412
Net Change in Fund	<u>1,687</u>	<u>1,795</u>	<u>1,911</u>

3.3 Key observations remain unchanged from previous years.

- The Fund has an increasingly mature liability profile.
- Investment income is still higher than outflows to pensioners net of contributions.
- Investment returns are key driver of outcomes.
- The changes to investment cost disclosure have no impact on overall result and are in effect a movement to costs that was previously deducted from appreciation of investments within the accounting of pooled investment vehicles.

4. RECOMMENDATIONS

4.1 That the Management Panel approves the expenditure budget for 2024/25.

4.2 That the Management Panel approve the Medium-Term Financial Plan.